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Canada. Railways, Canals and Telegraph

HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957

Lines, Standard Government Publications

Committee,

1957/58

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STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: G. K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1 including First and Second Reports 1957

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Bill No. 18 (Letter B of the Senate), An Act respecting
British Columbia Telephone Company.

TUESDAY, NOVEMBER 26, 1957

WITNESSES:

Representing British Columbia Telephone Company:

Messrs. Gordon Farrell, President; W. S. Pipes, Vice-President and
and General Manager; and A. C. Des Brisay, Counsel for the company.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957.

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: G. K. Fraser, Esq.,

and Messrs.

Barbes	Holowach	Nixon
Barnett	Howe (<i>Vice-Chairman</i>)	Olson
Batten	Johnston (<i>Bow River</i>)	Phillips
Begin	Kennedy	Rea
Bonnier	Lafontaine	Regier
Blanchette	Lavigne	Rouleau
Brassard	Leboe	Small
Broome	Macdonald (<i>Vancouver-Kingsway</i>)	Smith (<i>Calgary South</i>)
Byrne	MacDonald (<i>Antigonish-Guysboro</i>)	Smith (<i>Lincoln</i>)
Cameron	Marler	Smith (<i>Simcoe North</i>)
Chevrier	Martini	Smith (<i>Battle River-Camrose</i>)
Crouse	McBain	Stanton
Doucett	McGrath	Stuart (<i>Charlotte</i>)
Dupuis	McIlraith	Taylor
English	McIvor	Villeneuve (<i>Roberval</i>)
Fairfield	McLeod	Vincent
Gauthier (<i>Lac St. Jean</i>)	McPhillips	Winch
Gauthier (<i>Chicoutimi</i>)	Muir (<i>Cape Breton North and Victoria</i>)	Wratten
Grills	Murphy (<i>Westmorland</i>)	
Haidasz		
Harrison		
Herridge		

A. Small,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
MONDAY, November 18, 1957.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Barbès,	Gauthier (<i>Nickel Belt</i>),	Muir (<i>Cape Breton</i>)
Batten,	Gauthier (<i>Chicoutimi</i>),	<i>North and Victoria</i>),
Bégin,	Grills,	Murphy (<i>Westmorland</i>),
Bonnier,	Harrison,	Murphy
Blanchette,	Herridge,	(<i>Lambton West</i>),
Brassard,	Holowach,	Nixon,
Broome,	Howe,	O'Hurley,
Bryson,	Johnston (<i>Bow River</i>),	Olson,
Byrne,	Kennedy,	Phillips,
Campbell (<i>The Battlefords</i>),	Lafontaine,	Rea,
Chevrier,	Lavigne,	Rouleau,
Crouse,	Leboe,	Small,
Doucett,	Lewry,	Smith (<i>Calgary South</i>),
Dupuis,	MacDonald (<i>Antigonish- Guysborough</i>),	Smith (<i>Simcoe North</i>),
Ellis,	Marler,	Smith (<i>Battle River-Camrose</i>),
English,	Martini,	Stanton,
Fisher,	McBain,	Stuart (<i>Charlotte</i>),
Forgie,	McGrath,	Taylor,
Fraser,	McIvor,	Villeneuve (<i>Roberval</i>),
Gauthier (<i>Lac Saint Jean</i>)	McLeod,	Vincent,
	McPhillips,	Wratten—60.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, November 5, 1957.

Ordered,—That Bill No. 18 (Letter B of the Senate), intituled: “An Act respecting British Columbia Telephone Company” be referred to the said Committee.

FRIDAY, November 8, 1957.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 27 (Letter C of the Senate), intituled: “An Act respecting The Bell Telephone Company of Canada”.

THURSDAY, November 21, 1957.

Ordered,—That the name of Mr. Smith (*Lincoln*) be substituted for that of Mr. O'Hurley; and

That the name of Mr. Fairfield be substituted for that of Mr. Murphy (*Lambton West*), on the said Committee.

FRIDAY, November 22, 1957.

Ordered,—That the following Bill be referred to the said Committee: Bill No. 30 (Letter D of the Senate), intituled: “An Act respecting Ottawa and New York Railway Company”.

MONDAY, November 25, 1957.

Ordered,—That the name of Barnett be substituted for that of Mr. Bryson; and

That the name of Mr. Cameron be substituted for that of Mr. Campbell (*The Battlefords*); and

That the name of Mr. Macdonald (*Vancouver-Kingsway*) be substituted for that of Mr. Ellis; and

That the name of Mr. Regier be substituted for that of Mr. Fisher; and

That the name of Mr. Winch be substituted for that of Mr. Lewry; and

That the name of Mr. McIlraith be substituted for that of Mr. Gauthier (*Nickel Belt*); and

That the name of Mr. Haidasz be substituted for that of Mr. Forgie on the said Committee.

TUESDAY, November 26, 1957.

Ordered,—That the quorum of the said Committee be reduced from 20 to 12 members, and that Standing Order 65(1)(b) be suspended in relation thereto.

Ordered,—That the said Committee be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

TUESDAY, November 26, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 20 to 12 members and that Standing Order 65(1)(b) be suspended in relation thereto.
2. That it be empowered to print such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted,

G. K. FRASER,
Chairman.

TUESDAY, November 26, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SECOND REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. 18 (Letter B of the Senate), intituled: "An Act respecting British Columbia Telephone Company".

A copy of the Committee's Minutes of Proceedings and Evidence in respect of the said Bill is appended hereto.

Respectfully submitted,

G. K. FRASER,
Chairman.

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MINUTES OF PROCEEDINGS

TUESDAY, November 26, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Barnett, Batten, Blanchette, Broome, Byrne, Cameron, Crouse, Dupuis, English, Fraser, Gauthier (*Chicoutimi*), Haidasz, Herridge, Holowach, Howe, Kennedy, Lafontaine, Lavigne, Macdonald (*Vancouver-Kingsway*), Marler, Martini, McBain, McGrath, McIlraith, McIvor, McLeod, McPhillips, Murphy (*Westmorland*), Nixon, Olson, Phillips, Rea, Regier, Small, Smith (*Calgary South*), Smith (*Lincoln*), Smith (*Simcoe North*), Stanton, Winch, and Wratten.—(40).

In attendance:

For British Columbia Telephone Company:

Messrs. Douglas Jung, M.P., Sponsor; Gordon Farrell, President; W. S. Pipes, Vice-President and General Manager; W. G. Angus, Secretary; A. C. Des Brisay, Q.C., Counsel for the Company; and W. G. Burke-Robertson, Q.C., Parliamentary Agent.

On motion of Mr. Rea, seconded by Mr. Martini,

Resolved,—That Mr. W. M. Howe be Vice-Chairman of this Committee.

On motion of Mr. Martini, seconded by Mr. McGrath,

Resolved,—That a recommendation be made to the House to reduce the Committee's quorum from 20 to 12 members.

Moved by Mr. Broome, seconded by Mr. McGrath,—

That a recommendation be made to the House to authorize the Committee to sit while the House is sitting.

After discussion, the said motion was allowed to stand.

On motion of Mr. Howe, seconded by Mr. Rea,

Resolved,—That a recommendation be made to the House to empower the Committee to print such papers and evidence as may be ordered by the Committee.

On motion of Mr. McGrath, seconded by Mr. Broome,

Resolved,—That the Committee print 700 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in relation to Bill No. 18, “An Act respecting British Columbia Telephone Company”.

The Chairman called on the sponsor, Mr. Jung, to introduce the witnesses for the company.

The Committee commenced consideration of Bill No. 18 (Letter B of the Senate), “An Act respecting British Columbia Telephone Company”.

On the Preamble:

On request of the Chairman, the sponsor of the Bill called and introduced Messrs. Farrell, Pipes and Des Brisay appearing on behalf of British Columbia Telephone Company. The said witnesses explained the purpose of the Bill and were questioned thereon.

The Preamble, Clause 1, the Title and the Bill were adopted.

Ordered,—That the Chairman report the Bill to the House without amendment.

At 12.30 p.m., the Committee adjourned to the call of the Chair.

A. Small,
Clerk of the Committee.

PRELIMINARY DISCUSSION

TUESDAY,
26th November, 1957.
10.30 a.m.

The CHAIRMAN: Gentlemen, this morning we have Bill B of the Senate, No. 18 of the House of Commons, entitled "An Act respecting British Columbia Telephone Company". This bill was brought into parliament on November 5 and debate was held on it at that time.

Before we go into the bill there are a few motions which we have to deal with. First of all, we should have a vice chairman.

MR. REA: Mr. Chairman, I move, seconded by Mr. Martini that William Howe be elected vice chairman of this committee.

The CHAIRMAN: It has been moved by Mr. Rea and seconded by Mr. Martini that William Howe be vice chairman of this committee. What is your pleasure?

Agreed.

Now we should have a motion to reduce the quorum from 20 to 12. This has always been done in this committee. I would like to have your opinion.

MR. MARTINI: I move, seconded by Mr. McGrath, that we recommend a reduction of the quorum of this committee from 20 to 12 members.

The CHAIRMAN: You have all heard the motion. Are there any objections?

Carried.

Now, we should have a motion to sit while the house is sitting.

MR. BROOME: I move seconded by Mr. McGrath that a recommendation be made to the house seeking permission for this committee to sit while the house is sitting.

MR. McILRAITH: Mr. Chairman, unless there is some reason for asking for that extraordinary right, I do not think it should be asked for. It may be as we go along we may need to have that right and I would agree, if there was some reason for it. Simply to propose that the committee sit while the house is sitting is something very new in parliament and something which has had its origin during the last three or four years. In my own view it is a bad practice. I am agreeable to sitting while the house is sitting if there is some real reason for it, but I do not think that blanket authority should be given to the committee by the house and I am opposed to our asking for it without some real reason first being shown.

The CHAIRMAN: You said in the last three or four years. My recollection goes back to 1940 when I first came here. I remember that a motion of that kind was always put.

MR. McILRAITH: If you care to look at the speeches of former Prime Minister King, you will see that the War Expenditures Committee asked for that privilege on one occasion and there was a debate in the house. It is a very extraordinary thing and it is contrary to general practice. I have no objection if you show some reason for wanting it in any particular case, but I object to this motion being put this morning.

The CHAIRMAN: The reason I ask for it is because these people are here from British Columbia and if we only sit while the house is not sitting that

would give us only Thursday morning because tomorrow morning, being Wednesday, is a time when most parties have their caucus. And on Friday we shall be sitting at 11 o'clock in the house anyway. So we would be greatly limited in our time.

Mr. McILRAITH: Mr. Chairman, I submit that the motion might be properly put if we still require it at the end of this morning's session. In addition, there is a very important external affairs debate starting later, this afternoon, and I do not think that the British Columbia Telephone Company is more important than national security.

The CHAIRMAN: Might I say that point has been considered. We wondered—if we did not sit this afternoon—that perhaps we might sit tonight, say at 8 o'clock.

Mr. McILRAITH: What I mean is this: coming back to the original question, why put the motion now? We do not know if we will want to sit this afternoon or this evening because we may be all through with this matter by 1 o'clock.

The CHAIRMAN: Well, if we did not put the motion this morning and if we did not ask the house for it at 2.30, then we would be out of luck and we could not sit this afternoon or tonight.

Mr. McILRAITH: I shall leave it at that. But we do not know whether or not we shall be all through with this bill by 1 o'clock.

The CHAIRMAN: Let us leave it to the opinion of the committee, and if they feel that they do not want to sit this afternoon, it will be up to the committee to say whether they wish to sit tonight or tomorrow afternoon.

Mr. McILRAITH: Why put the motion now? Why not leave it until later on in our proceedings?

The CHAIRMAN: It would delay us for a whole day.

Mr. McILRAITH: The house does not sit until 2.30 and we are now meeting at 10.30. We may be finished with this company before lunch and if we are finished with them, there would be no purpose in putting the motion at all. Otherwise, I would agree to the motion being put.

Mr. WINCH: You have already raised the point I had in mind. Personally I do not like committees sitting at the same time as the house, but if we have to, then we have to. But in view of the external affairs debate, a number of us feel that we should not sit today because this will be the first time that the matter of external affairs will have been brought up.

The CHAIRMAN: You mean this afternoon?

Mr. WINCH: We do not know how long it will go on this afternoon. There might be major speakers that we will all want to hear in the evening.

The CHAIRMAN: We shall leave it then. Are there any other comments?

A motion has been moved by Mr. Martini and seconded by Mr. McGrath that a recommendation be made to the house to reduce the quorum of this committee from 20 to 12. That motion was put through. Then we have it moved by Mr. Broome, seconded by Mr. McGrath, that a recommendation be made to the house to authorise this committee to sit while the house is sitting. What is your opinion?

Hon. Mr. MARLER: Why not let the motion stand until the end of this morning's session?

The CHAIRMAN: Is that the feeling of the committee? Then we shall let it stand until the end of the sittings this morning. All right.

Now we should have a motion to obtain authority to print the record of our meetings.

Mr. HOWE: I move, seconded by Mr. Rea that we seek authority to empower this committee to print its evidence and such papers as may be ordered by the committee.

The CHAIRMAN: It is moved by Mr. Howe and seconded by Mr. Rea that a recommendation be made to the house to empower this committee to print such papers and evidence as may be ordered by the committee.

Mr. BROOME: Mr. Chairman, I thought every committee had that power.

The CHAIRMAN: We have to ask for it here.

Mr. WINCH: Is it not customary to mention the number to be printed in English and the number to be printed in French?

The CHAIRMAN: We shall ask for that next. You have all heard the motion. Is it agreeable?

Agreed.

Now, we should have a motion to print with respect to Bill 18, "An act respecting British Columbia Telephone Company".

Mr. MCGRATH: I move, seconded by Mr. Broome, that the committee print 700 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in relation to Bill 18.

The CHAIRMAN: You have all heard the motion. What is your pleasure?

Agreed.

EVIDENCE

Now, gentlemen, as I said before, this is a bill respecting the British Columbia Telephone Company. Mr. Jung who is here introduced this bill in the house and if it is your pleasure we shall ask him to introduce the officials of the British Columbia Telephone Company who are here as witnesses today, following which you may ask them questions.

Mr. JUNG: Gentlemen, at the time I presented this bill in the house I gave my undertaking that during the committee stage of this bill executives of the company would be available to you for interrogation. Therefore I have pleasure in introducing to you first of all Mr. Gordon Farrell, the President of British Columbia Telephone Company; Mr. W. S. Pipes, the vice-president and General Manager of the company. Mr. A. C. Des Brisay, Q.C., Counsel for the company; and I should state that Mr. W. G. Burke-Robertson, Q.C., who is the parliamentary agent, expected to be here but he has been delayed for a few moments. So with your indulgence he will attend later on.

Now I shall turn the meeting over to Mr. Des Brisay who will answer your questions.

Mr. A. C. Des Brisay, Q.C., Counsel for the British Columbia Telephone Company, called:

The CHAIRMAN: Mr. Des Brisay, you have a statement to make to the committee, have you not?

The WITNESS: Yes. I thought it might be helpful if I outlined the purpose of the bill and gave you some information about it before questions are asked.

Any questions which I am unable to answer, will be answered by Mr. Farrell or Mr. Pipes.

The sole purpose of this bill, as you will have noted, is to increase the authorized capital of the company from \$75 million to \$250 million.

Perhaps I should say here that no capital is issued without the approval of the Board of Transport Commissioners.

The act which you are asked to amend was passed in 1916. At that time the capital provided for us was \$5 million, with a total authorized capital of \$10 million. That sum was increased in 1941 to \$11 million; in 1946, to \$25 million; and in 1951, to \$75 million.

The reason the company has now come to parliament again for a further increase is to enable it to keep pace with the requirements of the population in British Columbia and its industries for telephone service in the areas which it serves, and to enable it to keep pace with the upsurge in general development in the Province which has been going on apace for some years.

The company operates over 91 per cent of the telephones in British Columbia; and the population in the areas in which it carries on is about 93 per cent of the population of British Columbia.

The company does not finance alone by the issue of shares. It finances it through bonds which are a charge on its assets, and with depreciation and surplus reserves.

The capital of the company which was previously authorized is practically exhausted. There is left available for issue \$3,500,000, which necessitates our seeking a great deal of money within the next few years, and to do that it must have this increase of authorized capital.

If it does not obtain it, then it just will not be able to carry out its plans and to spend large sums of money which at the present time would provide a great deal of employment and the use of a great deal of material manufactured—a good deal of it—in eastern Canada, Quebec and Ontario. The balance of the expenditures would be entirely met in British Columbia.

In 1951 when the company applied for an increase to \$75 million, the estimated required capital expenditure expected to cover a period of 10 years commencing with 1951, was \$120 million.

The actual gross capital expenditure which the company has made in the six year period from 1951 to 1956 amounted to \$108,712,000.

Today, in order to bring the picture up to date, there should be added what will be expended in 1957 which will amount to \$43,437,000; so that the gross capital expenditure in the seven years ending this year will be \$152,-439,000 as against \$120 million which it was anticipated would be the needs up to the end of 1960.

The net amount of capital expenditure made in the seven years, after taking into account salvage and recovery from replaced materials was \$115,500,000.

This amount of expenditure was financed in part by the sale of shares to a total of \$41,500,000. Actually, this has now been increased, by \$10 million.

The company is presently issuing \$10 million of preferred shares. The issue has been approved by the Board of Transport Commissioners and is now being offered on the market in Canada. So its total issued capital now will be \$71,500,000 up to the end of this year, leaving \$3,500,000 of authorized capital.

Now a word as to population. In British Columbia, the population in 1950 was 1,138,000. This has shown an increase to 1,399,500 in 1956. That is a 22.9 per cent increase as compared with 14.8 per cent for Canada as a whole. The average annual increase over the six years was 43,500; but the increase made from 1955—or in 1955-56—was 94,000; so you see that at the moment, at any rate, the population increase has taken a very big jump. I think that our population will grow having regard to the vast attraction which British Columbia seems to have for people, because of its climate and so on.

The number of telephone installations in British Columbia of the British Columbia Telephone Company is presently about 450,000. Let me give you some idea of how rapidly the number has been increased.

From 1951 to 1956—the number of telephones in service increased from 246,486 in 1951 to 412,135 in 1956; that is an increase of 67 per cent for those years.

This rate of increase very much exceeded the company's estimate made in December 1952 which was a total of 373,767 of telephones up to the end of 1957. The actual figure up to that time will be about 450,000.

The company's payroll tells the same story. In 1951 its employees numbered 4,990, while at the present time they number 6,969. These are the employees regularly employed in the company's operations and do not relate in any way to the people who are employed as a result of the capital expenditures on buildings and that sort of thing which they have to provide.

This company plays a most important part in the economy of British Columbia by the expenditures which it makes by way of regular payroll and by its capital expenditures which are very large.

In the year 1956 the total operating payroll of the company was over \$15 million. That is entirely apart from the people employed in providing the buildings and equipment and extending the services, putting in automatic phones, the toll system, the long distance toll system, and so on, each of which provide employment for a good many thousand people.

Now as to the future, I am instructed that after a most intensive and careful study, it is estimated that the company—if it is to get the best with automation in telephones—will provide a fully modern and efficient service and it will require to make over the next 13 years, beginning with the year 1958, a net capital expenditure totalling \$765 million.

Plans have already been made for capital expenditures in the next three years starting with 1958 on an average of \$50 million a year.

The estimate for next year is in the amount of \$51 million and over the following years, 1959 and 1960, the balance of this \$150 million.

It is difficult to say just how many jobs there will be, but you can imagine for yourself what that expenditure would mean in Canada in the way of work for the people of this country. And as far as British Columbia is concerned, as the result of strikes and the lumber situation and so on, it would provide work which in British Columbia is very badly needed.

In order to carry out its plans, the company must have this authorized capital increase. In view of its need, the proposed increase would appear to be not more than would be required to finance the needed expenditure of \$2 billion.

Before concluding I would like to give you some information as to the actual structure of the company. Of the total authorized capital that the company has issued, there are 315,000—it will really be 325,000 preferred shares by the end of this year—with a par value of \$100 each; and 1,200,000 ordinary shares with a par value of \$25 each, representing a total par value of \$61,500,000.

And at that time those shares were held by a total number of 17,881 shareholders, the large proportion of whom are in Canada; I mean that 17,881 shareholders are holders of preferred shares and ordinary shares.

The total number of those holding ordinary shares was 7,001, and of preferred shares, 10,880. Of its ordinary shareholders 6,842, or 97 per cent reside in Canada, of whom 4,280 reside in British Columbia. The balance of the shares are held, some in sterling countries, and some in the United States.

There is one ordinary shareholder, a Canadian company, the Anglo-Canadian Telephone Company, that holds 35.85 per cent of the ordinary shares. The balance of the ordinary shares are pretty well held in Canada. Certainly over 50 per cent of the ordinary shares are held by the public.

This company cannot, as I said before, issue its shares or do anything with them without the approval of the Board of Transport Commissioners.

I think I have pretty well covered the picture, although I wish to emphasize again the advantage to Canada of the granting of this application. I would suggest it is even a necessity. The work and the jobs that will be created by the expenditure of this large sum of money in the immediate future, are very badly needed now across Canada. This company's expenditures will assist both the east and the west.

Mr. MARLER: Mr. Des Brisay, are the preferred shares voting shares or not?

The WITNESS: They are non-voting shares.

Mr. SMITH (*Calgary South*): Mr. Des Brisay, are there any senior securities, debentures, or bonds that—

The CHAIRMAN: Just one moment. As there are a number of new members here I would ask you, when you stand up, or when you ask questions, to give your name so that the reporter will be able to put it down in his notes.

By Mr. Smith (Calgary South):

Q. Would you perhaps reply to my question?—A. The question was, whether there are—

Q. Is there anything senior, ahead of the preferred or common shares? In other words, what is the complete capital structure of the company?—
A. The bonded indebtedness—

Q. That is right.—A. There is \$71,121,000 in bonded indebtedness. The ratio as between ordinary and common shares is about 47 per cent to 53 per cent.

Mr. FARRELL: That is of the issued shares.

The WITNESS: That is issued shares, yes. The equity money in the company is about 47 per cent and the bonded indebtedness is about 53 per cent. 53 per cent, that is approximate, but it is within a fraction.

By Mr. Cameron:

Q. I wonder if Mr. Des Brisay could tell us this: he has told us of the number of shareholders in Canada, and I think he mentioned the number in other countries; could he tell us how the shares are held, how many are held by Canadians and how many are held by citizens and corporations of other countries.—A. Of the ordinary shares, in 1956, the total was 7,001. Of that number 6,848 were held in Canada. In British Columbia, of that number, there are 4,280 shareholdings. In Canada, other than British Columbia, there are 2,562.

Q. It is not the number of shareholders, Mr. Des Brisay, that I want to know about, but how these shares are held.—A. I mentioned that the Anglo-Canadian Telephone Company of Montreal holds 35.85 per cent of the ordinary shares.

Q. Can you tell us who holds the shares?—A. I beg your pardon?

Q. Can you tell us who holds the shares of the Anglo-Canadian Company? Are they held in Canada or in the United States?—A. I will have to have Mr. Farrell answer that question. I have not got that information. Would you please make a note of it until Mr. Farrell is here.

The CHAIRMAN: Mr. Winch, you are next.

By Mr. Winch:

Q. Mr. Chairman, I would like to ask Mr. Des Brisay if he could tell us, with respect to the past seven years, what is the amount out of the depreciation and other reserves that has been used for capital expenditure, and what is the anticipated amount, in respect of the next three years, that will be available from these sources for capital expenditures?—A. What were the years, Mr. Winch?

Q. For the last seven years. You quoted the expenditures for the past seven years.—A. Yes. In 1950 gross plant expenditures were \$7,368,000, of which there was provided, from the reserves, \$3,410,000. In 1951 the expenditure was \$9,391,000, and the amount from that same source was \$3,843,000. In 1952 the gross plant expenditure was \$11,350,000, and the amount provided from reserves was \$5,948,000. In 1954 the gross was \$18,996,000. The reserves provided \$7,733,000. In 1955 the gross was \$21,255,000, of which \$10,814,000 was provided from reserves. In 1956 the gross was \$27,694,000, of which \$11,851,000 was provided from reserves.

Q. How much is now available for the three years, with which you have dealt, for future expenses?—A. You mean from the reserves?

Q. Yes, from the reserves. What have you in the reserves now?—A. I do not know. I will have to get that information.

The CHAIRMAN: Mr. McIvor is next.

By Mr. McIvor:

Q. I was just going to ask a simple question. Are these shares sold in the United States as well as in Canada? Will this bill cost the Canadian government anything?—A. Well, I do not know. I do not think it will cost the Canadian government anything. We have paid into the Canadian government a large sum of money as a result of its increase. I think it was \$35,000. The shares are issued in Canada, they are not sold by the company in the United States.

Q. But you would accept American money?—A. I suppose if an American wanted to invest, yes. The majority of the shareholders are Canadians, and residents of Canada, at any rate.

By Mr. Macdonald (Vancouver-Kingsway):

Q. Mr. Des Brisay, I am interested to know whether you have some plan now to present to the Board of Transport Commissioners as to the issuance of some of these shares. Do you propose to give share rights to existing shareholders, to take up so much at a certain price?—A. In the past the ordinary shares have all been sold by giving rights to existing shareholders. Mr. Farrell can explain that procedure better than I can. That has been the method of marketing the ordinary shares. The preferred shares are underwritten.

Q. I am concerned more with the ordinary shares. Would that be the plan for the future, to give share rights to existing shareholders?—A. Mr. Farrell will have to answer that.

The CHAIRMAN: We could ask Mr. Farrell right now.

Mr. McPHILLIPS: Mr. Chairman, if I might say something please. After all, we have some rights in this committee. Why cannot this bill be dealt with in the accepted way? Counsel has made a statement, and counsel is not supposed to be subjected to examination. There is an accepted way of dealing with private bills. Counsel has made his statement, now he should proceed to prove the preamble, as it is called, by putting the witnesses from his corporation before this committee. We will get nowhere by asking counsel questions.

The CHAIRMAN: That was never done before.

Mr. WINCH: Mr. Chairman, you will remember, Mr. Des Brisay at the opening of his remarks said he was going to make a statement, and that he would be available for questions, and if he did not know the answers he would call upon the executives.

The CHAIRMAN: As a matter of fact, if you peruse the proceedings of this committee of 1951, you will find that the method that is now being adopted was the method followed.

Mr. McILRAITH: It has always been followed here.

The CHAIRMAN: I will ask Mr. Farrell to answer that question.

Mr. GORDON FARRELL (*President, British Columbia Telephone Company*): Up to date, the common shares have been offered to the existing shareholders through rights. I see no reason why that procedure should not be continued in the future, but one cannot always prognosticate on the future. We have no plan at the present time for issuing any ordinary shares at all. We have just recently sold 10 million in preferred shares.

Mr. MACDONALD (*Vancouver-Kingsway*): Would these share rights be given to the shareholders to purchase shares at less than the market price?

Mr. FARRELL: Yes.

Mr. MACDONALD (*Vancouver-Kingsway*): Could you tell us about the last issue of ordinary shares of the company; what rights were given in relation to the market price at that time?

Mr. FARRELL: I cannot remember exactly what was done. Shares would be offered to shareholders at 5 to 6 points below the market. I think that is about right.

Mr. MACDONALD (*Vancouver-Kingsway*): Could you tell us, and perhaps it may have come out in the House of Commons already, what shares were offered to employees in the company?

Mr. FARRELL: There has been no share offering to employees. If they were in a position to buy, they, like anybody else, bought on the market. We have no employee plan for selling shares to employees.

Mr. MACDONALD (*Vancouver-Kingsway*): Would the employees be given a chance to participate in share rights in the future?

Mr. FARRELL: If they own shares, yes. They can buy ordinary shares on the market any time, which would put them in the position of receiving rights when the time comes.

Mr. MACDONALD (*Vancouver-Kingsway*): I wonder if the company would consider making it possible for employees to participate in the share rights offered with the issuance of new ordinary shares as a result of this increased capitalization?

Mr. FARRELL: We have discussed that many times. There are times when it would not be to the employees' advantage—for example, when the price goes down, and instead of having a happy employee we would have a very disgruntled one. There are two ways of looking at it.

Mr. MACDONALD (*Vancouver-Kingsway*): Could that not be just left to him? Could the rights not be offered to him, and let him decide whether it is of value to him to take them up, or not to?

Mr. FARRELL: It would hardly be right, I suggest, to offer share rights to the employees unless they own shares already. Consideration has been given from time to time, and we are considering it again, as to whether or not we can make some provision for an employee purchase plan. At the present time we have not one, but there is one under consideration.

Mr. MACDONALD (*Vancouver-Kingsway*): Judging from your explanation, the shares would not be offered to the general public, but would be offered in the form of share rights to existing shareholders?

Mr. FARRELL: Ordinary shares, yes.

Mr. MACDONALD (*Vancouver-Kingsway*): Would the company consider putting the public in an equal position, in respect of acquiring shares in the company, to the existing shareholders?

Mr. FARRELL: I do not know why they should. It is the custom, with all large issues of that kind, to offer rights to the existing shareholders. If the existing shareholders do not want to take them up they can sell their rights. The other people can buy those rights and subscribe to the new shares.

Mr. MACDONALD (*Vancouver-Kingsway*): There would be no opportunity, then, to broaden the ownership of the company?

Mr. FARRELL: Every time we have an issue the business is broadened because a great many of the old shareholders do not take up their rights. Those rights are sold to new shareholders. That is indicated by the way our shareholder list has increased over the years.

Mr. MACDONALD (*Vancouver-Kingsway*): That would be a capital gain? If an existing shareholder sold his rights, presumably that would be a capital gain to him.

Mr. FARRELL: Yes.

Mr. MCPHILLIPS: Mr. Chairman, I think I made my point quite clear before. I think there is a proper way of doing these things. Now that counsel has made a statement he should proceed to prove what is termed the preamble of the bill. He should put the company representatives before this committee and proceed to show why this money is needed, and, what it is going to be used for, and so forth. Asking Mr. Des Brisay questions would lead to only hearsay evidence. He has some papers prepared by the company, but presumably the company officials know the answers, of their own knowledge. I would suggest their evidence is much better.

The CHAIRMAN: Mr. McPhillips, it is the privilege of every member of this committee to ask questions of the officials of the company. They are here for that purpose.

Mr. MCPHILLIPS: You cannot very well ask questions out of the blue. The company should be prepared to prove the preamble to this bill. The company is asking for \$250 million in capital. What does it need it for? If they are not prepared to prove the preamble of their bill they are not entitled to it.

The CHAIRMAN: We will come to the bill in a moment. Are there any more questions?

Mr. SMITH (*Calgary South*): I would like to ask Mr. Farrell a question. One of the members dealt with the question of issuance of rights at some length. I think, perhaps, the impression might have been left that this was an unusual procedure. I would like to ask Mr. Farrell if this is in fact the normal accepted procedure for corporate financing, and perhaps he could give a number of other companies which follow the same practice.

Mr. FARRELL: I think it is the normal procedure in practically all the large companies, and particularly utility companies. They have all adopted this procedure.

Mr. WINCH: What is the amount of reserve that you now have available for capital expenditures? I ask that question because, I notice that in the past seven years, over 40 per cent of the capital expenditures have come from the reserves.

Mr. FARRELL: We have no reserve left. It has all been used.

Mr. WINCH: It has all been spent?

Mr. FARRELL: Yes.

Mr. MURPHY (*Westmorland*): I would like to ask about the remaining 64.15 per cent. We were told that the Anglo-Canadian Telephone Company owned 35.85 per cent. Of the balance, 64.15 per cent of the ordinary shares, how much is held by Canadians, or people residing in Canada, and how much of this balance is held by other corporations; telephone or communication corporations, or other corporations?

Mr. FARRELL: Your question was in several parts.

Mr. MURPHY (*Westmorland*): That is right.

Mr. FARRELL: I would like to answer it in parts.

Mr. MURPHY (*Westmorland*): How much of the remaining 64.15 per cent, that is not owned by the Anglo-Canadian Telephone Company, is owned by residents of Canada?

Mr. FARRELL: In British Columbia, 391,271 shares are owned by shareholders. In the rest of Canada, 266,767 shares are held by individual shareholders in Canada.

Mr. MURPHY (*Westmorland*): Would you continue and tell us how many are not held by Canadians?

Mr. FARRELL: In the United States there are 74,772 shares held, and in the sterling area there are 31,533 shares held. In other areas there are 5,480 shares. Those shares together with the Anglo-Canadian Telephone Company's holding of 430,176 shares make a total of 1,200,000 shares.

Mr. MURPHY (*Westmorland*): Have you got the percentage of shares held by the Anglo-Canadian Telephone Company, and the percentage of shares held by shareholders outside of Canada?

Mr. FARRELL: The Anglo-Canadian Telephone Company holds 35.85 per cent of the total.

Mr. MURPHY (*Westmorland*): That is right. What percentage of the shares is held outside of Canada?

Mr. FARRELL: There is 6.25 per cent of the shares in the United States, and a very small percentage of the shares held in sterling and other areas.

Mr. MURPHY (*Westmorland*): There is a little less than 6 per cent in the sterling areas and about 6 per cent in the United States?

Mr. FARRELL: I was just trying to calculate it quickly.

Mr. MURPHY (*Westmorland*): The second part of my question was: what percentage of shares are held by corporations other than the Anglo-Canadian Telephone Company?

Mr. FARRELL: There are certain corporations, of course, that are private corporations. I do not know whether you refer to those corporations, who are really individual investors—there are trust companies, and so on. I do not know just what you refer to there.

Mr. MURPHY (*Westmorland*): I am talking about other telephone companies.

Mr. FARRELL: No.

Mr. MURPHY (*Westmorland*): Or communication companies.

Mr. FARRELL: No.

Mr. MURPHY (*Westmorland*): How many are held by these private corporations, or holding companies?

Mr. FARRELL: I cannot give you that figure offhand. As you know, certain investors incorporate themselves as a company, and they buy shares in all parts of Canada. I presume they do that for the purpose of the succession duty, so they only have one succession duty to pay to the province in which their company is incorporated.

Mr. MURPHY (*Westmorland*): You do not have the figures in respect of those?

Mr. FARRELL: No, they are just private investors.

Mr. MURPHY (*Westmorland*): Yes, I know.

Mr. CAMERON: Mr. Farrell, I wonder if you are in a position to tell us where the ownership of the Anglo-Canadian Telephone Company lies?

Mr. FARRELL: It lies with the General Telephone Corporation in the United States.

Mr. CAMERON: Does that corporation own all the shares of the Anglo-Canadian Telephone Company?

Mr. FARRELL: Oh, no, it owns 50 per cent of shares of the Anglo-Canadian Telephone Company.

Mr. CAMERON: Where does the other 50 per cent lie, do you know, sir?

Mr. FARRELL: The other 50 per cent is owned by general shareholders throughout Canada. I believe some of the shares have gone to individual share-

holders in the United States, because they are traded on the market. I have not got a list of the Anglo-Canadian Telephone Company's shareholders with me.

MR. CROUSE: This question arises out of a question asked by Mr. Winch, I believe. Are these common shares available on the market at the present time?

MR. FARRELL: Yes. I see there were some sales yesterday on the Toronto market.

THE CHAIRMAN: Any other questions gentlemen?

MR. BROOME: From my calculations it appears that the British Columbia Telephone Company is 75 per cent owned in Canada; 75 per cent owned outside the United States mainly in Canada.

MR. FARRELL: Well, that is hardly correct.

MR. BROOME: I have taken half of your Anglo-Canadian Telephone Company, and you have to add that to your 58 per cent.

THE WITNESS: That is correct.

MR. SMITH (*Lincoln*): Have any of the municipalities, for instance Vancouver or Victoria, raised any objection to the increase of the capital of this company?

MR. FARRELL: No. We have advised them all and have sent them copies of our submission to Ottawa. We have had no objection from any of them.

MR. MACDONALD (*Vancouver-Kingsway*): A number of the individual shareholdings are in the form of investment companies' investments and you cannot really say whether the investment company is Canadian or whether its shareholders are really in the United States.

MR. FARRELL: No. Some of these holding companies which have been formed are buying all kinds of shares of Canadian corporations. The chances are that some of our shares end up in those hands.

MR. MACDONALD (*Vancouver-Kingsway*): It would be very hard for you to say to what extent the company was owned in Canada because here you have a corporate investment. It is a holding company and that company might be owned in the United States but would be counted as a Canadian investment.

MR. FARRELL: We would have rather few of those because they have been buying shares which are trading more freely on the market than ours, like the large public utilities, large Canadian companies and big industrials.

MR. MACDONALD (*Vancouver-Kingsway*): Would you agree that a block ownership of about 35 per cent by Anglo-Canadian would be control of the company?

MR. FARRELL: It is not control, but could be said to be effective control.

MR. MACDONALD (*Vancouver-Kingsway*): From what company do you purchase your telephone equipment and supplies?

MR. FARRELL: We have a purchasing company which is a purchasing agent, Canadian (B.C.) Telephones and Supplies.

MR. MACDONALD (*Vancouver-Kingsway*): Is that owned by your company in part?

MR. FARRELL: Owned by Anglo-Canadian Telephone Company.

MR. MACDONALD (*Vancouver-Kingsway*): It is a wholly owned subsidiary of Anglo-Canadian?

MR. FARRELL: Yes.

MR. MACDONALD (*Vancouver-Kingsway*): I realize the importance of your expansion program, but the question I have is this: with your equity of

47 per cent and bonded indebtedness of 53 per cent, at the present time it seems to me you should be in a position to borrow the additional funds required in order to finance your expansion program.

Mr. FARRELL: I would like to ask you how long that would last. I am afraid we would soon run out of money.

Mr. MACDONALD (*Vancouver-Kingsway*): Is that not a very high proportion of equity ownership in comparison to bonded indebtedness as companies go today?

Mr. FARRELL: No. It is a little higher than most of the bonded indebtedness.

Mr. MACDONALD (*Vancouver-Kingsway*): You are not proposing to issue preferred shares?

Mr. FARRELL: We have just recently issued \$10,000,000.

Mr. MACDONALD (*Vancouver-Kingsway*): Have you more of those in the treasury?

Mr. FARRELL: We have no more shares of any kind at the present time.

The WITNESS: Only \$3,500,000.

Mr. MACDONALD (*Vancouver-Kingsway*): You have issued preferred shares?

Mr. FARRELL: They are just ordinary shares until they are made preferred shares.

Mr. MACDONALD (*Vancouver-Kingsway*): Do you not feel you could raise additional capital now by bonds or debentures?

Mr. FARRELL: A small issue of bonds, \$10 or \$15 million, yes.

Mr. MACDONALD (*Vancouver-Kingsway*): The security of your enterprise would be very substantial?

Mr. FARRELL: Yes. But we have a \$50 million program for 1958. Half of the money which we have just obtained will be spent by the end of December and by the end of February we will be out of money.

Mr. MACDONALD (*Vancouver-Kingsway*): Do you not feel that by the end of February you would be able to float bonds?

Mr. FARRELL: We probably will. That would take us for another five or six months and then we would be out again.

Mr. MACDONALD (*Vancouver-Kingsway*): You do not feel you could finance this expansion by bonds and debentures?

Mr. FARRELL: No. Not a chance in the world.

The CHAIRMAN: Are there any other questions on the preamble?

Mr. CAMERON: There has been some reference made to preferred shares. Could you tell us, in the first place, what is the status of those shares with respect to voting rights in the company and how they are distributed as far as the voting rights are concerned?

Mr. FARRELL: They are the usual preferred shares and until the company gets in arrears for twelve months they do not have any voting rights.

Mr. CAMERON: Has your company ever been in that position?

Mr. FARRELL: No, thank goodness.

Mr. CAMERON: Can you tell me how they are distributed?

Mr. FARRELL: I would have to give them all to you. We have six different issues. In the 6 per cent cumulative shares which is the original issue—do you want the number of shareholders?

Mr. CAMERON: What I would like is information as to where they are held, in Canada or elsewhere?

Mr. FARRELL: Of the issue of 10,000 shares, and that was a million dollar issue, 247 of the shareholders are in British Columbia; 20 are in Canada outside of British Columbia; 6 are in the United States and 39 in the sterling area.

Mr. CAMERON: That is the number of shareholders?

Mr. FARRELL: Yes.

Mr. CAMERON: What are the shareholdings; how are they distributed?

Mr. FARRELL: In British Columbia, 7,385; in Canada, other than British Columbia, 1,104; in the United States, 141; in the sterling area, 1,370. That makes up 10,000 shares.

Mr. CAMERON: You have other issues?

Mr. FARRELL: Yes. We have a 6 per cent cumulative preferred share. 39,862 shares are held in British Columbia. I have a copy of this.

Mr. CAMERON: Perhaps it could be included in the proceedings of the committee.

The CHAIRMAN: If it is the wish of the committee?

Agreed.

STANDING COMMITTEE

BRITISH COLUMBIA TELEPHONE COMPANY

	6% Cumulative Preference	6% Cumulative Preferred	4 $\frac{1}{4}$ % Cumulative Redeemable Preferred	4 $\frac{1}{4}$ % Cumulative Redeemable Preferred (Series 1956)	4 $\frac{1}{4}$ % Cumulative Redeemable Preferred	4 $\frac{1}{4}$ % Cumulative Redeemable Preferred	Total
DISTRIBUTION OF SHARES—							
British Columbia.....	7,385	39,862	55,272	41,157	20,916	24,636	391,272
Canada (other than B.C.)—							580,500
Held by Public.....	1,104	1,572	18,420	33,698	28,819	35,144	385,524
Anglo-Canadian Telephone Co., Montreal, P.Q.....							430,176
United States.....	141	907	982	100	90	100	74,772
Sterling Area.....	1,370	2,498	161	20	50	31,533
Other.....		161	165	25	70	35,632
Total.....	10,000	45,000	75,000	75,000	50,000	60,000	5,480
							6,076
							1,200,000
							1,515,030
DISTRIBUTION OF SHAREHOLDERS—							
British Columbia.....	247	2,001	2,484	1,437	879	893	4,280
Canada (other than B.C.).....	20	88	548	784	648	638	2,562
United States.....	6	53	32	1	6	1	80
Sterling Area.....	39	41	12	2	1	55
Other.....			3	6	6	3	150
Total.....	312	2,186	3,082	2,225	1,539	1,536	43
							17,881

As at July 31, 1957.

Mr. REGIER: Mr. Chairman, I realize the need of the company to embark on an expansion program. When we consider this need I realize there are three interests involved. First of all there are the interests of the users of the telephone system, the interests of the telephone company as a corporate entity, and the interest of the owners of the corporate entity. I wonder if Mr. Farrell would explain how their method of marketing or disposing of ordinary shares by the issuance of rights is of advantage either to the consumer or to the corporation as such. Is there any advantage in it to either the British Columbia Telephone Company or to the users of the British Columbia Telephone Company in the method of disposal of shares?

Mr. FARRELL: To begin with, the issuance of rights always adds a little bit to the value of the common share because, from time to time, when new issues are made the value of the rights adds to the value of the stock. If the policy of the company was not to issue rights the stock would be at a little less price than if they were issuing rights. If no rights were issued we would then have to have the shares underwritten which of course costs money.

Therefore you arrive at a position of where would the value of the stock be without rights. Undoubtedly it would be below the price if we were issuing rights. Therefore, the price at which you could sell your shares, less the commission, would probably be somewhere near the position when the stock was sold at the rights price.

Mr. REGIER: I notice the relatively large reserves of this company which have, in former years, been used for an expansion program. We, of course, know these reserves have only one origin, the consumer. Could Mr. Farrell give us the rates of an ordinary residential private line telephone in the cities of Toronto, Winnipeg, Regina and Vancouver? May we also have a comparison as to what the average householder pays on a single line phone in each of those cities?

Mr. FARRELL: I am sorry, but I do not have that information. I would ask Mr. Pipes, he is the General Manager.

Mr. PIPES: I have the rates here for our own and the Bell Telephone Company. I do not have it for Winnipeg. Did you mention other cities?

Mr. REGIER: Toronto, Winnipeg, Regina and Vancouver.

Mr. PIPES: In a comparison, the rates increase as the size of a city increases. Consequently we are comparing a small city with a large city and they are not comparable rates. However, we will give you the rates.

Mr. REGIER: I wonder if the witness would furnish us with the rates for urban centres of roughly even size in the four provinces?

Mr. PIPES: I will have to look it up. I have it for Vancouver; for individual residential service it is \$5.35. I will get you the information.

The CHAIRMAN: Would it be in order if the information is obtained and placed in the minutes?

Agreed.

The following is a comparison of individual residential rates for Toronto, Winnipeg, Regina and Vancouver.

City	Individual residential rates	Number of telephones that can be called
Toronto	\$5.45	643,800
Winnipeg	3.90	154,347
Regina	3.50	36,406
Vancouver	5.35	256,696

Mr. WINCH: Might I direct another question to Mr. Farrell. We all appreciate the great expansion which has to be undertaken in the immediate future in British Columbia. I take it as being an established fact that within that expansion the company wants to be able to do it at as reasonable a price as possible. I was intrigued by Mr. Farrell's statement that the Anglo-Canadian Company have a wholly owned subsidiary and that subsidiary is the purchasing agent of the British Columbia Telephone Company. That intrigues me, and I would like to know if that is a normal procedure and if by going through another company such as the Anglo-Canadian, which owns a big share of the British Columbia Telephone Company, does that not bring up the cost of equipment when it reaches your company. I assume this subsidiary buys on the wholesale market and is not selling to you at the same price and therefore there is an intermediary which must increase the cost of the material you have to purchase. Would you explain and clarify that situation and tell us why that system is followed and why you do not buy direct or through your own agent in your own company. On the same point, when a telephone of the British Columbia Telephone Company is taken out of a house does it go back to the British Columbia Telephone Company or does it go back to the subsidiary or sold to the subsidiary and resold to your company and if so on what basis?

Mr. FARRELL: I would be very pleased to answer it, but Mr. Pipes perhaps is in a better position to answer it. However, you have asked a lot of questions there.

Mr. WINCH: It boils down to only two and it is a clarification of a unique situation.

Mr. FARRELL: It is not unique at all; it is very practical.

Mr. PIPES: The Canadian British Columbia Telephone Company was formed many years ago when there were five associated companies in British Columbia. Three of those have since been acquired by British Columbia Telephone Company and the company serves the purpose of purchasing agent of materials for these various companies, does the installation of our central office equipment and also the repair work on our central office equipment. They act as our agents and receive a small commission for their services. The prices of the purchases are the prices charged by the manufacturer of the product to us. There is no added price. They are just a purchasing agent for us.

Mr. WINCH: Is there a commission on the cost of the material they purchase and install for you?

Mr. PIPES: The commission runs from three-quarters of 1 per cent to three-eighths of 1 per cent, depending on the equipment. If it is a completely automatic installation in a large office the rate is three-eighths of 1 per cent, and for other types of equipment it is three-quarters of 1 per cent. They buy in the order of \$30 million worth of material. I am guessing at that figure. In the order of \$9 million comes from what you might say is an associated manufacturing firm, the Automatic Electric. The balance of the equipment is purchased from other various telephone manufacturers in Canada, and other types of equipment, such as poles and hardware which represents some 60 odd per cent, comes from other sources. They act as our purchasing agent and they obtain the best price for us. For that service they get three-quarters of 1 per cent. It is not an unusual practice. You will find it is not an exceptionally high charge.

Mr. WINCH: Do you sell back that equipment?

Mr. PIPES: No. The equipment is sent back there and they rehabilitate it and charge their own labour plus 10 per cent plus supervision, and it comes back to us.

They install all of our central office equipment, both manual and automatic, and do this work also for other companies in Canada. This company also installs equipment for the Okanagan Telephone Company in Prince Rupert and various others.

Mr. WINCH: Is the Automatic Electric Company either owned by that company or associated with it?

Mr. PIPES: Associated with it. The Automatic is owned by Associated, but this company acts as installer for equipment sold by Automatic Electric and they do work all across Canada. The other companies besides British Columbia Telephone Company are charged 5 per cent more as an administration charge than is charged British Columbia Telephone. Therefore we benefit to the extent of 5 per cent by having our equipment installed by them.

Mr. SMITH (*Simcoe North*): You mentioned a manufacturing supply company. Where is their manufacturing done?

Mr. PIPES: In Brockville, Ontario.

Mr. HERRIDGE: Mr. Chairman, I wish to congratulate you on meeting one of your life's ambitions.

I would like to ask Mr. Farrell how many directors of the British Columbia Telephone Company are also directors of the Anglo-Canadian Company and the General Telephone Corporation?

Mr. FARRELL: They changed these around and I want to be sure. I am pretty sure it is four. I do not have that information.

Mr. HERRIDGE: Four of the directors of the British Columbia Telephone Company are directors of the Anglo-Canadian Company?

Mr. FARRELL: Yes.

Mr. HERRIDGE: And how many are directors of the General Telephone Corporation in the United States?

Mr. FARRELL: One of those would be.

Mr. HERRIDGE: One of the directors of the British Columbia Telephone Company?

Mr. FARRELL: Yes. And one of the directors of Anglo-Canadian.

Mr. HERRIDGE: Would you tell us the total amount paid out by your company in dividends in the last ten years and the total cumulative in reserve? I will change that and make it over the last seven years.

Mr. FARRELL: I could not tell you that off-hand but we will obtain that information for you.

The CHAIRMAN: Will it be in order if it is put in the minutes?

Agreed.

Mr. Herridge requested to know the total dividends paid by the Company during the past seven years. They are as follows:—

Year	Common & Preferred Combined	Common Dividend	
		Only	Only
1950	\$ 1,031,883	\$ 520,000	
1951	1,547,711	880,000	
1952	1,646,250	960,000	
1953	1,923,594	1,200,000	
1954	2,262,500	1,520,000	
1955	2,708,125	1,600,000	
1956	3,466,718	2,100,000	
1957 (estimated)....	3,930,000	2,400,000	

Mr. Herridge also requested to know what the total accumulated cash reserves were for the past seven years. There have been none. All earned surplus has been re-invested in plant during the said period of seven years.

Mr. MACDONALD (*Vancouver-Kingsway*): I was not sure about the answer in respect of Automatic Electric. Did you say they were owned by a company called Associated Telephone and Telegraph?

Mr. FARRELL: It is owned by Associated Telephone and Telegraph Company and in turn owned by General Telephone Corporation, which is an intermediate company.

Mr. MACDONALD (*Vancouver-Kingsway*): Are your rates controlled by the Board of Transport Commissioners?

Mr. FARRELL: Yes.

Mr. MACDONALD (*Vancouver-Kingsway*): Has the Board of Transport Commissioners any authority over what is charged for installation by Automatic Electric through the supply company?

Mr. FARRELL: Well, the Board of Transport Commissioners in our last rate hearing went very thoroughly and minutely into all details of our operations.

Mr. MACDONALD (*Vancouver-Kingsway*): Has it any control over the cost of the supplies to you?

Mr. FARRELL: We have to prove to them that we buy our supplies as cheaply as anybody else which I believe we did at that time.

Mr. MACDONALD (*Vancouver-Kingsway*): They do not have jurisdiction over the cost of supplies to you?

Mr. FARRELL: Yes. I think they have, because if we are buying supplies at a great deal more than the market they are not going to give us the rates to cover it.

Mr. MACDONALD (*Vancouver-Kingsway*): You say that is a factor which they take into consideration?

Mr. FARRELL: Yes. They go into it in great detail.

Mr. MACDONALD (*Vancouver-Kingsway*): Don't you feel it to be an unhealthy situation that Anglo-Canadian should have effective control of your company and at the same time effective control of the source from which you purchase your supplies and obtain your installation services?

Mr. FARRELL: I am afraid I do not remember just what you said to begin with.

Mr. MACDONALD (*Vancouver-Kingsway*): Do you not consider it to be an unhealthy situation?

Mr. FARRELL: I do not like the word "unhealthy". There has not been anything unhealthy about it. In my opinion the manager and directors of the British Columbia Telephone Company have done a magnificent job in British Columbia and I do not think there is anything unhealthy about it.

Mr. MACDONALD (*Vancouver-Kingsway*): Generally speaking it is not a good situation for the company which has effective control of your company also to have control of your suppliers?

Mr. FARRELL: If there were no control such as that of the Board of Transport Commissioners, then I might agree with you. But there is very effective control through the Board of Transport Commissioners over all these things.

The CHAIRMAN: Are there any other questions?

Mr. HOWE: Perhaps Mr. Farrell or one of his colleagues could tell me whether all the supplies required by this company are available in Canada or if you have to go outside of Canada to buy any of the supplies which are needed for your installations?

Mr. PIPES: In the main, the bulk of our supplies are manufactured in Canada. For example, wire and cables are manufactured here and we get them from two sources. Our telephone sets and our central office equipment, are manufactured at Brockville. There might be some odd pieces of equipment that we get from outside manufacturers such as office furniture, and there might be a business machine which is not manufactured in Canada. I do not know. But in the main, our purchases are made through Canadian suppliers where possible.

Mr. HOWE: One other question: In regard to this tremendous development that is taking place: is it entirely in the field of telephones, or is it also in the field of telecommunications, television and radio?

Mr. PIPES: It is in relation to ordinary exchange service, and it is an expansion of the long distance service, with an entry into more automation in long distance, and more long distance dialing and control having regard to the great improvements which are being made. We also have a leased wire business which includes television channels, radio broadcasting channels, and leased wire for telephotos and so on; anything relating generally to the telephone industry.

The CHAIRMAN: Now Mr. Barnett, to be followed by Mr. Stanton and then Mr. Cameron.

Mr. BARNETT: Perhaps Mr. Farrell might explain to the committee what relationship there is between the British Columbia Telephone Company and the North West Telephone Company. What is the corporate relationship of the two?

Mr. FARRELL: There is no corporate relationship between the British Columbia Telephone Company and the North West Telephone Company. The North West Telephone Company was formed some years ago when the radio telephone was coming into vogue. At that time the British Columbia Telephone Company had a charter and was incorporated before anybody thought of radio telephones. The British Columbia Telephone Company did not have the right to be in the radio telephone business. Therefore we had quickly to incorporate a company, which we did, in British Columbia, and that has been our radio company.

The officers of that company are the same as those of the British Columbia Company but it is run separately, and it takes care of radio development in British Columbia. It is owned by Anglo-Canadian Telephone Company one hundred per cent, because the British Columbia Telephone Company has no right in its charter to own shares of another company. Does that answer your question?

Mr. BARNETT: In other words, the relationship between the British Columbia Telephone Company and the North West Telephone Company is through the Anglo-Canadian Telephone Company.

Mr. FARRELL: Yes. The British Columbia Telephone Company would be very glad to hold the stock of the North West Telephone Company too, but it has no power to hold it.

Mr. BARNETT: You did say that the structure of the two companies is single?

Mr. FARRELL: Yes.

Mr. BARNETT: The North West Telephone Company has other operations than radio telephones I take it?

Mr. FARRELL: Yes, it has, but they are very minor compared to the radio.

Mr. BARNETT: Am I correct in suggesting that the North West Telephone Company operates the radio telephone links on the coast of British Columbia?

Mr. FARRELL: Yes.

Mr. BARNETT: And that it operates the telephone service between Vancouver and Alert Bay?

Mr. FARRELL: Yes. We have about 3,000 boats which are connected through our radio system.

Mr. BARNETT: I wonder what the source of expansion funds of the North West Telephone Company is? I think you can see some point to my question, because the services operated by the two companies are closely connected.

Mr. FARRELL: The British Columbia Telephone Company has the power to be in the radio business. Of the new television-two circuit running across Canada we are building the part in British Columbia—this being part of the British Columbia Telephone Company's area, so the expansion of the North West Telephone Company is rather limited to the area in which they are.

Mr. BARNETT: Does the North West Telephone Company have to rely on the capital funds provided to the British Columbia Telephone Company in order to undertake expansions and modifications?

Mr. FARRELL: No. They have public financing.

Mr. BARNETT: They act separately in the bond market?

Mr. FARRELL: Yes.

Mr. BARNETT: Is the present capital set-up of the North West Telephone Company adequate to provide for their expansion and needs?

Mr. FARRELL: Yes. They are getting along all right.

Mr. BARNETT: In its review of the affairs of the company by the Board of Transport Commissioners and of the set-up or the structure, does the company or the board take the approach that all segments or sections of the system should provide, let us say, a more or less even rate of return on the rates that are set?

Mr. FARRELL: Well, I do not know.

Mr. BARNETT: Or is it related to the rate structure and the earning position of the company as a whole? Is that really the guiding principle?

Mr. FARRELL: Oh yes.

Mr. BARNETT: On what basis is the decision made as to which particular construction or expansion of facilities the company is going to undertake in a given time—that is to say, as between the metropolitan areas and the lower mainland, or Vancouver Island, or the northern centres of Vancouver Island?

Mr. FARRELL: Well, that is left to the company to decide. We try to be fair and to take care of all the requirements in every one of the 107 places in which we do business.

Mr. BARNETT: Is it the policy of the company that all extensions shall be on a self-sustaining basis? That is, does an expansion in northern Vancouver Island have to stand on its own feet before it is considered by the company?

Mr. FARRELL: We would expect it to be reasonable. We look forward to the future, and if we believe that the place is going to grow, we would be satisfied to go in there at the present time and probably lose money in that particular area, but hoping in the future that it would pick up. Yes.

Mr. STANTON: I would like you to give me, roughly, the percentage of your total supplies that you purchase from Automatic Electric?

Mr. PIPES: The total amount? In the year ending October 31, out of a total amount of approximately \$26 million of material and supplies, \$9,662,000 would be purchased from Automatic Electric, that is just a little over one third, and it is made up primarily of telephone sets and central office and automatic equipment that we buy with a view to standardization.

Mr. STANTON: Is there any independent telephone company in British Columbia?

Mr. PIPES: Yes, the Okanagan Telephone Company and of course the North West Telephone Company, and in addition the Prince Rupert Telephone Company which is a civic operation.

Mr. STANTON: Has your company absorbed during the past few years any of these smaller companies which might have existed?

Mr. PIPES: We absorbed three of them, the Mission, the Chilliwack and the Kootenay companies; and in the last two years we acquired that proportion west of the rocky mountains of the federally owned line and generally north of that, in that area.

Mr. STANTON: In other words, we are led to believe that the smaller independent companies are gradually going out of existence?

Mr. PIPES: Well, I think so. It appears that way. In former days telephone service was unconnected. Telephones just existed here and there, and we used to have cities very few of which were joined together. But today with the elaborate networks of long distance circuits, we think it is better that they should be put under one control.

Mr. WINCH: On that basis, you ought to be publicly owned, just as the situation in the adjoining provinces.

Mr. PIPES: We operate very well with the adjoining provinces and the United States.

Mr. STANTON: How do your rates compare with those of smaller independent companies?

Mr. PIPES: There again, you must qualify it. Rates vary with the size of the exchange. For example, if you compare a large exchange of the British Columbia company with that of the Okanagan company, and if you apply the Okanagan company rate to our subscribers, we would, I think, have a slight increase, with more revenue than we would get under our rates. In other words, their rates are slightly higher. Their business rates might be a little up, or their residence rates might be a little higher.

The CHAIRMAN: Shall the preamble carry?

Mr. CAMERON: I would like to ask Mr. Farrell a question. Did I not understand you to say just now that the Anglo Canadian Company had effective control of the British Columbia Telephone Company?

Mr. FARRELL: Yes, I said that. In a large operation, a large utility, such as a bank and that sort of thing, if there is a large compact block of stock, 25 per cent might be effective control.

Mr. CAMERON: You would agree that it does give effective control to the Anglo Canadian Company?

Mr. FARRELL: Yes, I agreed to that before.

Mr. CAMERON: I notice that the Anglo Canadian Company is in the control of Associated Telegraph and Telephone Companies in the United States by 51 per cent. I thought you said 50 per cent this morning but I see according to Moody's Annual that it is 50.01, thus giving them complete control.

Mr. FARRELL: Well?

Mr. CAMERON: Would you say that in fact your company is a subsidiary of the American Telephone and Telegraph Company?

Mr. FARRELL: We have nothing to do with the American Telephone and Telegraph Company.

Mr. CAMERON: Does your company purchase any appreciable quantity of equipment from any company which is either controlled by or closely associated with the American Telephone and Telegraph Company?

Mr. FARRELL: Well, I do not know what Mr. Cameron would say about the Northern Electric Company? I think it would be up to you to decide on that situation. We do purchase a lot of equipment from the Northern Electric Company.

Mr. CAMERON: What proportion of your purchases?

Mr. FARRELL: About \$5 million.

Mr. CAMERON: Out of what?

Mr. PIPES: That is out of \$26 million. We have in the order of \$5 million in purchases from the Northern Electric Company for the period ending October 31. These are approximate figures.

Mr. CAMERON: I take it that four-fifths of your purchases come from a company that is either controlled or associated with the American Telephone Company?

Mr. FARRELL: No, only one-fifth. Please leave out the American Telephone and Telegraph Company.

Mr. CAMERON: Your evidence was that the Anglo-Canadian Telephone Company is effectively controlling the British Columbia Telephone Company, and the Anglo-Canadian Telephone Company is wholly controlled by the American Telephone and Telegraph Company.

Mr. FARRELL: I did not say that; you said that.

Mr. CAMERON: You dispute the figure in Moody's Annual, do you, sir?

Mr. MARLER: You are giving the wrong names.

Mr. CAMERON: It is the associated telephone company, I am sorry. That is the A.T.T.

Mr. FARRELL: No, the Associated Telephone and Telegraph Company has nothing to do with the so-called A.T.T., which is the American Telephone and Telegraph Company.

Mr. CAMERON: I have used the wrong name.

Mr. FARRELL: It is 78 per cent owned by the General Telephone Corporation.

Mr. CAMERON: We will not go further into the ramifications of your family tree, Mr. Farrell. The point I want to make is this: you told us that the Anglo-Canadian Telephone Company has effective control of your company. We have a public document that states that company is wholly controlled by an American corporation.

Mr. FARRELL: Yes.

Mr. CAMERON: Is it not a fair assumption that your company is controlled by an American corporation?

Mr. FARRELL: Yes, it is effectively controlled, yes.

Mr. CAMERON: Yes, effectively controlled.

Mr. FARRELL: Yes.

Mr. CAMERON: To come back to the question as to the purchases of your materials—could we have, Mr. Chairman, on the record of this committee, the companies from which the bulk of the purchases of the British Columbia Telephone Company are made? The point I want to get at, Mr. Chairman, is this: it may be that the interests of this American corporation, which has the effective

control of the British Columbia Telephone Company may be closely connected with the companies from which the British Columbia Telephone Company purchases its equipment, and that the policies of the British Columbia Telephone Company, in regard to the purchase of equipment, may be in fact dictated by this American corporation. I would like to have on the record the purchases of the major lines of equipment.

Mr. FARRELL: Mr. Cameron, Mr. Pipes has already answered that question. If you would like him to repeat the percentages we would be very glad to.

Mr. CAMERON: I do.

Mr. PIPES: I believe I mentioned that for the year ending October 31 we have purchased materials in the order of \$26 million. That was for the past year. Of that \$26 million, \$9,662,000 was purchased from the Automatic Electric Company, which is a company associated with the Associated Telephone and Telegraph Company. The other equipment, which is slightly under two-thirds of the total, was purchased from companies throughout Canada, with no affiliation such as that.

Mr. HERRIDGE: I would like to ask Mr. Farrell two questions. Did you say that your company, in the area in which it offers services, has a virtual monopoly in respect of telephone service?

Mr. FARRELL: I think it is agreed by everybody that a telephone company must have a monopoly.

Mr. HERRIDGE: You say it is a monopoly. When you say it is a monopoly operating in British Columbia, it is controlled indirectly by an American corporation?

Mr. FARRELL: Substantially controlled, yes.

Mr. HERRIDGE: Thank you.

Mr. FARRELL: I would like to mention, though, that our complete operating staff are all Canadians.

Mr. MARLER: Mr. Farrell, do you know of any telephone company in Canada that has not got what might be described as a monopoly in the territory in which they operate?

Mr. FARRELL: If it was not a monopoly you would have a lot of disgruntled subscribers, because they would have to have two phones on their desks.

Mr. CAMERON: We have them now.

Mr. FARRELL: I do not think that is a fair statement, Mr. Cameron; you may have a few. I do not know of any large company that operates without a few disgruntled subscribers.

Mr. CAMERON: I would suggest, Mr. Farrell, that you go to Vancouver Island and talk to some of my constituents.

The CHAIRMAN: Shall the preamble carry?

Mr. MARLER: The preamble should be disposed of after the clauses of the bill have been carried, surely.

The CHAIRMAN: We can do that if you wish.

Mr. MARLER: The general rule is that the preamble is carried at the end.

Mr. HERRIDGE: Mr. Chairman, I would like to ask a question before you leave the preamble.

The CHAIRMAN: Yes. Before we start with that, Mr. Marler, I might say that according to the clerk, the preamble is generally carried first.

Mr. MARLER: I will not quarrel with the clerk, Mr. Chairman.

The CHAIRMAN: I would not dispute it, but the committee clerk tells me that.

Mr. HERRIDGE: Mr. Farrell, in what direction does the Board of Transport Commissioners control your company, and what things has the Board of Transport Commissioners the right to ask you to do?

Mr. FARRELL: They have complete control over everything. If it is not absolutely direct control, it is certainly indirect control.

Mr. HERRIDGE: Would you say that the Board of Transport Commissioners has control over the services, as to where you will extend your line, or where you will give improved services, and so on?

Mr. FARRELL: Indirectly they do, yes.

Mr. HERRIDGE: In what way?

Mr. FARRELL: If a complaint is laid with the Board of Transport Commissioners about some particular instance, they immediately ask us the reasons why this has not been done. If we have good and sufficient reasons, we submit them to the Board of Transport Commissioners, and that board in turn submits those reasons to the subscriber.

Mr. HERRIDGE: Mr. Farrell, I think that control must be very lax, because I have the distinct recollection of being informed by the secretary of the Board of Transport Commissioners that they do not have control over services.

Mr. FARRELL: That is so, but they do have a very heavy hand on us all the time, in regard to services. If we do not extend them here, and do not extend them there, they are after us all the time, if there is a good case for extended services.

Mr. HERRIDGE: Could you tell the committee on how many occasions in the last year the Board of Transport Commissioners has asked your company to extend services, as a result of complaints?

Mr. FARRELL: I do not think the Board of Transport Commissioners would put themselves in the position of asking us to extend services, because they have not got the power to make us extend them. However, we pay a great deal of attention to their suggestions, and I do not think there is any place, where the matter has been referred to them, that we have not dealt with. Are you thinking of the little place you are interested in, Mr. Herridge?

Mr. HERRIDGE: Naturally, yes.

Mr. FARRELL: I think that you received a copy of the letter on that point from us.

Mr. HERRIDGE: No.

Mr. FARRELL: I am sure you did, because Mr. Pipes has a copy of it.

Mr. HERRIDGE: I have not received it.

Mr. PIPES: That was in 1954 when you wrote about it, Mr. Herridge.

Mr. HERRIDGE: I beg your pardon?

Mr. PIPES: That was in 1954.

Mr. HERRIDGE: I was thinking of this last three or four month period.

Mr. FARRELL: Yes. That is a very difficult situation, Mr. Herridge, as you know. It is very difficult for us to give service there because of the two power lines on each side of the road.

Mr. SMITH (Calgary South): What are we speaking about?

Mr. HERRIDGE: We are speaking about a little community in my constituency, seven miles south of Trail, of about 30 residents, which has been denied telephone service to date.

Mr. FARRELL: Mr. Pipes has that situation at his fingertips, Mr. Herridge.

Mr. HERRIDGE: I should certainly pull the fingertips.

Mr. BARNETT: Would Mr. Farrell, or Mr. Pipes, care to tell us whether they would like to have the Board of Transport Commissioners given a little more definite authority in respect to this matter of services?

Mr. FARRELL: Nobody likes authority.

Mr. MARLER: Mr. Chairman, that is a very interesting question, but surely far from the scope of this.

The CHAIRMAN: Mr. Marler, in regard to the preamble being carried first, in respect of public bills, the preamble comes last, but on private bills it comes first.

Mr. CAMERON: Could Mr. Farrell, or Pipes, tell me if it was this year that their company purchased all the federal telephone property west of the Rocky Mountains?

Mr. PIPES: No, it was two years ago.

Mr. CAMERON: Two years ago?

Mr. PIPES: In April.

Mr. CAMERON: Could you tell us, Mr. Pipes, what your company paid for these properties?

Mr. FARRELL: It was something over \$500,000, as I recall it. It was a great deal too much.

Preamble agreed to.

Clause 1 agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Agreed to.

—The committee adjourned to the call of Chair.

